

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 EA-10 IO-13 ISO-00 SP-02
USIA-06 AID-05 NSC-05 TRSE-00 SS-15 STR-05 OMB-01
CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 AGRE-00 PA-01 PRS-01
AF-10 NEA-10 H-01 L-03 (ISO) W
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R 171520Z OCT 77

FM USINT HAVANA

TO SECSTATE WASHDC 315

INFO AMEMBASSY BRASILIA

AMEMBASSY CANBERRA

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L HAVANA 0357

EO 11652: GDS

TAGS: ETRD EAGR EPAP ISO EEWT CU

SUBJ: CHIEF CUBAN SUGAR TRADER DISCUSSES FUTURE

1. SUMMARY: CHIEF CUBAN SUGAR TRADER ASSERS THAT CUBA WILL NOT ACCELERATE TRADING IN COMMING MONTHS AND WILL SOON BEGIN RECONSIDERATION OF SHORT AND LONG-TERM SUGAR PRODUCTION STRATEGY
END SUMMARY.

2. USINT OFFICER (GLASSMAN) LUNCHEDED, OCTOBER 13, WITH EMILIANO LEZCANO, DIRECTOR OF CUBAZUCAR, EXCLUSIVE CUBAN EXPORTER OF SUGAR. LEZCANO HAS JUST RETURNED FROM INTERNATIONAL SUGAR NEGOTIATIONS IN GENEVA.

3. LEZCANO STATED THAT CUBANS EXPECT TO EXPORT 2.1 MILLION TONS TO
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FREE MARKET IN COMING YEAR. (COMMENT: THIS SUGGESTS THAT CUBANS EXPECT A SUGAR HARVEST OF ABOUT 6.4 MILLION TONS PLUS AMOUNT PLACED IN ISA-MANDATED STOCKS). APPROXIMATELY ONE MILLION TONS ARE ALREADY PLACED WITH COUNTRIES WHICH HAVE LONG-TERM (FIVE YEAR) CONTRACTS WITH CUBA. LEZCANO CLAIMED THAT, BECAUSE OF HIGH VOLUME ALREADY COMMITTED, CUBA WILL NOT RUSH INTO MARKET IN LAST THREE MONTHS OF THIS YEAR TO EXPLOIT PERIOD BEFORE SUGAR AGREEMENT

ENTERS INTO FORCE. (COMMENT: IT SHOULD BE NOTED, HOWEVER, THAT LEZCANO WAS QUITE INSISTENT IN SEEKING TO ASCERTAIN WHEN US WOULD ADHERE TO AGREEMENT. EARLY ONSET OF COLD HERE COULD MOVE DATE OF BEGINNING OF SUGAR HARVEST FORWARD TO END OF NOVEMBER, THUS PROVIDING CUBANS WITH EXPORT POSSIBILITIES IN DECEMBER-JANUARY.)

4. LEZCANO ASSERTED THAT CUBA, CONTRARY TO INDUSTRY RUMORS, WOULD NOT IN EARLY MONTHS OF 1978 ACT AS FORCE UNDERCUTTING BASE PRICE OF AGREEMENT IN EFFORT TO DRIVE HIGH COST PRODUCERS OUT OF BUSINESS. HE ARGUED THAT, EVEN IF CUBA HAD SUCH AN INTENTION, CUBA'S LONG-TERM COMMITMENTS DEPRIVE HAVANA OF FLEXIBILITY NECESSARY TO PURSUE SUCH A COURSE. (FYI TO BUTTRESS THE ARGUMENT THAT CUBA HAS LIMITED FREE STOCKS WITH WHICH TO PLAY, LEZCANO VOLUNTEERED THAT, EVEN IF US EMBARGO LIFTED NEXT YEAR, CUBA WOULD HAVE NO MORE THAN 300 THOUSAND TONS AVAILABLE TO PLACE ON US MARKET. END FYI.)

5. LEZCANO STATED THAT SERIES OF MEETINGS WILL BE HELD IN COMING WEEKS INVOLVING LEADERSHIP OF CUBA, UP TO AND INCLUDING FIDEL CASTRO, TO DECIDE ON SUGAR PRODUCTION STRATEGY IN LIGHT OF INTERNATIONAL SUGAR AGREEMENT. FACTORS THAT WILL BE CONSIDERED INCLUDE PROBABLE PRICE IN FREE MARKET IN NEXT YEAR, ANY ADDITIONAL BAD WEATHER-INDUCED REQUIREMENTS OF SOCIALIST COUNTRIES, AND DESIRABILITY OF EXPORTING MAXIMUM ISA-PERMITTED TOTAL TO FREE MARKET. USSR GAVE NO INDICATION, DURING RECENT MOSCOW VISIT OF VICE-MINISTER OF FOREIGN TRADE AMADO BLANCO, THAT IT WOULD REQUIRE MORE CONFIDENTIAL

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THAN 3 MILLION TONS IN 1978. SOVIET REQUESTS FOR ADDITIONAL AMOUNTS, LEZCANO STATED, HOWEVER, USUALLY COME ONLY IN NOVEMBER AND DECEMBER AFTER EFFECTS OF FROST KILL BECOME CLEAR. (COMMENT: CUBANS FOR PAST TWO YEARS HAVE RECEIVED HARD CURRENCY PAYMENTS FOR SOVIET PURCHASES ABOVE 3 MILLION TON FIGURE. AN ADDITIONAL WIND-FALL, LEZCANO REVEALED, IS FACT THAT WHEN HARD INFORMATION ON ANY LARGE ADDITIONAL SOVIET OR OTHER PURCHASE COMES INTO CUBAN HANDS, CUBANS ENTER INTO LONDON FUTURES MARKET.)

6. LEZCANO CLAIMED TO HAVE NO KNOWLEDGE, IN WAKE OF MOSCOW VISIT OF PLANNING (JUCEPLAN) CHIEF PEREZ, ON WHETHER SOVIETS WOULD AGREE TO PURCHASE MORE THAN THREE MILLION TONS OF SUGAR ANNUALLY IN PERIOD AFTER 1980. LEZCANO SAID THAT, FROM CUBAN POINT OF VIEW, IN LIGHT OF FIXED FREE MARKET SALES ENVISAGED IN ISA, SOVIETS SHOULD SCALE DOWN THEIR DOMESTIC SUGAR BEET PRODUCTION TO ACCOMMODATE PLANNED EXPANSION OF CUBAN SUGAR PRODUCTION. LEZCANO SAID, HOWEVER, THAT CONSIDERATION OF LONG-TERM SOVIET FACTOR WOULD FIGURE IN HIGH-LEVEL CUBAN MEETINGS ON SUGAR STRATEGY THAT WILL SOON GET UNDERWAY IN HAVANA. (COMMENT: CUBAN ECONOMIC DEVELOPMENT POLICY IS CURRENTLY BASED ON FINANCING INDUSTRIALIZATION PRINCIPALLY THROUGH EXPANSION OF SUGAR PRODUCTION. GIVEN ISA FIXED QUOTA, SOVIET DECISION ON POST-1980 SUGAR PURCHASES WILL DECISIVELY INFLUENCE

CUBAN DEVELOPMENT POSSIBILITIES.)

7. TURNING SPECIFICALLY TO ISA, LEZCANO SAID THAT CUBANS ARE THINKING OF STORING PART OF THEIR REQUIRED STOCKS IN CANADA. SINCE IT IS NOW DIFFICULT TO MAKE DELIVERIES TO CANADA IN WINTER, THE AVAILABILITY OF STOCKS THERE WOULD PERMIT SALES TO BE MADE YEAR-ROUND.

8. LEZCANO SAID THAT CUBANS REGARD ISA AS A SUCCESS SINCE IT LIMITS POTENTIAL COMPETITION FROM OTHER BIG PRODUCERS. CUBANS REGRET NEED TO PLACE SPECIAL LIMITS ON SALES TO NON-COMECON SOCIALIST STATES SINCE THIS AFFECTED CUBA'S FLEXIBILITY IN OBTAINING RICE, PRINCIPAL STAPLE OF CUBAN DIET, FROM CHINA. (FYI IN THIS CONNECTION, LEZCANO HARKED BACK TO DESIRABILITY FROM CUBA'S POINT
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OF VIEW OF REMOVAL OF US EMBARGO TO ALLOW PURCHASE OF US RICE.)

9. LEZCANO WAS EXTREMELY PLEASED WITH BOTH PROFESSIONAL AND SOCIAL DEMEANOR OF US ISA DELEGATION, AND PRAISED QUALITY OF CONSULTATIONS BETWEEN CUBAN AND US DELEGATIONS.

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